



MAXIMIZING YOUR SEGAL EDUCATION AWARD

*Developed by the Kentucky Commission on
Community Volunteerism and Service*

December 2012

THE BASICS

- \$5,550 for full time, \$2,775 for half time
- Maximum of Two Education Awards for Two Terms of Service
- It expires 7 years from the date you complete service.
- Subject to income tax in the year in which you use it.
- Members who are 55 or older at the *start* of their term of service may choose to transfer all or part of their education award to their child, grandchild, or foster child, who would have 10 years to use it. If that person chooses not to use it, the award cannot be transferred again.
- Recipients may receive transfers from multiple education awards but only up to the current value of two full-time education awards.



MORE BASICS

- The National Service Trust is an account in the U.S. Treasury that pays for education awards.
- It can be used for:
 - 1) Qualified student loans
 - 2) Current educational expenses
 - 3) A combination of both



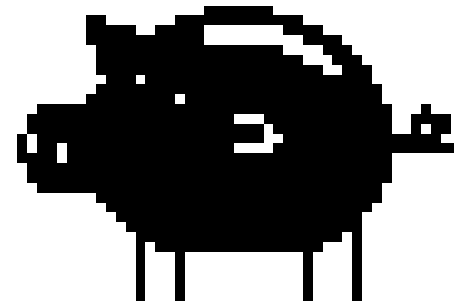
QUALIFIED STUDENT LOANS

- Loan backed by the federal government under Title IV of the Higher Education Act or under Titles VII or VIII of the Public Health Service Act.
- You may use your education award to repay a student loan made by a state agency, including state institutions of higher education.
- Education awards cannot be used to repay any other type of loan, including PLUS loans made to parents of students, even if the loan was obtained for educational purposes.
- You can use your education award to repay defaulted student loans, as long as the loans meet the definition of “qualified student loans.”



TIPS IF YOU REPAY A LOAN

- You can either advance your payments or apply it to the principal.
- Weigh the options and decide what fits best into your lifestyle. There are pros and cons of each.



LOAN REPAYMENT OPTIONS

Advanced Payments

- Advanced payments work by applying your Ed award first towards interest and less towards principal.
- For example, if your payments are \$100 a month and you submit a voucher for \$5550, Sallie Mae will advance you 55 payments, and you won't have to make another payment for the next four and a half years.
- With this option, you will end up paying more over the life of the loan.
- If you submit your voucher to a lender without instructions, they will automatically advance payments.

Applying your voucher to the principal

- You can ask your loan provider to apply your education award payment toward the principal, which will reduce your monthly payment.
- For example, your monthly payment could go from \$100 down to \$65 a month.
- You will need to start making payments right away but you'll pay far less over the life of the loan.



DECIDING WHICH LOAN TO PAY OFF



- With everything else being equal, you may wish to pay off the loan with the higher interest rate first.
- “Unsubsidized” student loans gather interest while you’re in school and are generally less favorable than “subsidized loans,” so you may want to pay off any unsubsidized loans first.
- Perkins Loans are generally thought of as having the best terms in the student loan family; if you have Perkins Loans, you may wish to pay them off last.



CURRENT EDUCATIONAL EXPENSES

“Current education expenses,” include:

The “Cost of Attendance” for a degree- or certificate-granting program of study at a qualified school;

AND

Educational expenses for non-degree courses offered by qualified schools, such as continuing education courses.



CAN I USE THE ED AWARD TO PURCHASE A COMPUTER OR OTHER ITEMS?

Maybe!

You can use your Ed award to pay for expenses contained within the school's predetermined Cost of Attendance. Some schools will allow you to increase your Cost of Attendance in a given year to help pay for supplies and equipment, such as a computer.

The Cost of Attendance can also be adjusted to accommodate persons with disabilities. This can include funds to purchase the service of interpreters, a modified vehicle, visual equipment and other items and services related to accessibility. While many schools allow students to do this, it is at the discretion of the financial aid office. Talk to your financial aid officer! For more information on making college accessible, check out [A Practical Guide for Persons with Disabilities Who Want to Go to College](#)



TITLE IV SCHOOLS

Your educational award has to be used at a Title IV School as defined in Section 101 of the Higher Education Act of 1965. This includes most colleges and universities, as well as many trade schools. Title IV schools can be located at <https://fafsa.ed.gov/FAFSA/app/schoolSearch>



BE SMART WITH YOUR MONEY

- Inflation will go up, your Ed Award will not!
- Actual college prices increase 7% per year after adjusting for inflation.



NON-DEGREE PROGRAMS

You can use your Ed Award to take a class here and there at a community college or public university. You can take classes like swimming, guitar, or photography. The course has to be offered through a Title IV institution. Check with the school to verify that the class you wish to take is a regular class, and not what they call a “recreation education” course.



SCHOOLS THAT AUGMENT THE ED AWARD

- A number of colleges and universities encourage AmeriCorps alumni to attend by matching the education award.
- Currently, the only one in Kentucky is Union College in Barbourville.
- For a current list of schools that will match the education award or award credit hours for AmeriCorps service, please visit http://www.americorps.gov/for_organizations/highered/ed_award_match.asp
- Do your homework! Find out what the match or scholarship is. It may appear great, but if the cost of tuition is high, even with the match, your education award may only cover a small percentage of the total cost.



SHOULD I USE MY ED AWARD ALL AT ONCE?

Using your award all at once may be advantageous, but for others it will create a large tax burden that would best be avoided by spreading payments out over two or more calendar years.

FIGURE 1: Marginal U.S. Tax Rates[^]

Tax Bracket	Married Filing Jointly	Single
10% Bracket	\$0 – \$17,400	\$0 – \$8,700
15% Bracket	\$17,400 – \$70,700	\$8,700 – \$35,350
25% Bracket	\$70,700 – \$142,700	\$35,350 – \$85,650
28% Bracket	\$142,700 – \$217,450	\$85,650 – \$178,650
33% Bracket	\$217,450 – \$388,350	\$178,650 – \$388,350
35% Bracket	Over \$388,350	Over \$388,350

[^]If a single person earns \$40,000, taxes would be 10% of the amount from \$0 to \$8,700, 15% of the amount from \$8,700 to \$35,350, and 25% of the amount from \$35,350 to \$40,000. Not accounting for deductions, this person would owe \$6,030 in federal income taxes.



SCENARIO 1:

SINGLE ALUMNUS WHO USES ED AWARD TO PAY OFF STUDENT LOANS IN 2012

- Sue earns a salary of \$32,500 year, and used her \$5,550 Ed Award to pay off student loans.
- Tax Burden Impact: Because Sue utilized all of her Ed Award in 2012, this has bumped her into the 25% tax bracket, which means she is deemed to have earned \$38,050 in 2012. In addition to increasing her federal tax obligation from \$4,440.00 (\$32,500) to \$5,542.50 (\$38,050), the manner in which she used Ed Award has bumped her from the 15% to the 25% tax bracket. \$2,700 of her \$38,050 in income is now subject to a higher tax rate, and **the change in tax brackets has created an extra \$270 in tax obligations.**
- Potential Solution: Sue could apply the use of her Ed Award over multiple years, which would allow her to remain in the 15% tax bracket, and eliminate the need to pay the additional \$270 she would owe if she were in the 25% tax bracket.
- *This scenario does not take into account deductions, which could lower your taxable income and thus the amount you have to pay!*



SCENARIO 2: SINGLE ALUMNUS WHO IS IN SCHOOL & USES ED AWARD TO PAY OFF EXISTING STUDENT LOANS

- Tim earns a meager \$3,500 a year, while also attending graduate school, and uses his Ed Awards from two AmeriCorps terms, or \$11,100 to pay off existing student loans
- Tax Burden Impact: Because Tim utilized both Ed Awards in 2012, he is deemed to have earned \$14,600 in 2012. In addition to increasing his federal tax obligation from \$350 (\$3,500) to \$1,755 (\$14,600), the manner in which he used the Ed Awards has bumped him from the 10% to the 15% tax bracket. Because \$5,900 of his \$14,600 in income is now subject to the higher tax rate, **Tim owes an extra \$295 of tax.**
- Potential Solution: Tim could apply the use of the Ed Award over multiple years, which would help him remain in the 10% tax bracket, and he could save the extra \$295 he would owe if he were in the 15% tax bracket.
- *This scenario does not take into account deductions, which could lower your taxable income and thus the amount you have to pay!*



THE ONLINE ED SYSTEM

<https://my.americorps.gov/mp/login.do>

1. After logging into the system, you can create and submit a request online for your AmeriCorps Education Award benefits.



THE ONLINE ED SYSTEM: PT. II



2. Your request is submitted electronically to your institution for processing.

3. Some, but not most, will require Trust staff review. Approved requests will be paid.



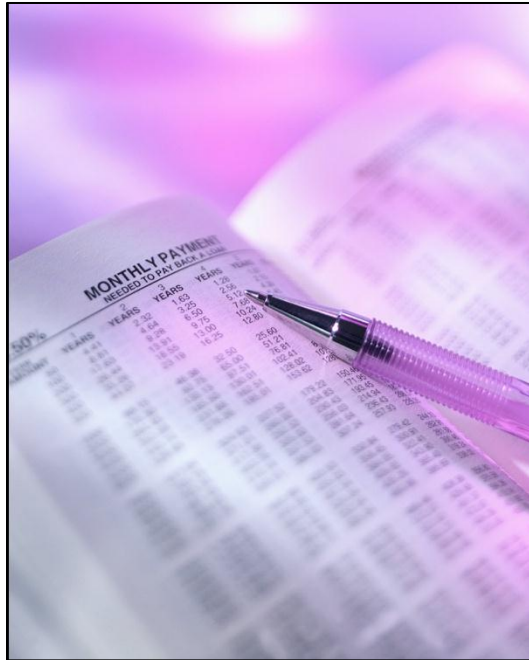
MY AMERICORPS

The system provides you with the ability to:

- Check your award balance
- Access important financial forms
- Quickly and easily make payments to your educational or financial institution
- Modify contact information (name, addresses, e-mail address)
- View and print tax statements and forms
- View and print pay statements (as applicable)
- Access customized letters certifying your term of service with an AmeriCorps program



INTEREST ACCRUAL PAYMENTS ON LOANS IN FORBEARANCE



- If you have earned an Ed award, you are eligible to have the Trust pay up to 100% of the interest accrued during your term of service on your qualified student loan while in forbearance. This payment is in addition to your Ed award; it is not deducted from the award.
- After you have finished your term, completed the exit paperwork, and your program has submitted the paperwork to CNCS, go back to your My AmeriCorps account. This time click on the “interest accrual request” link on the left side of the screen. You must complete this form.
- Interest payments ARE considered taxable income!



TAXATION

- You are taxed on the amount of the education award used in the calendar year in which it is processed by the National Service Trust. You are also taxed on any interest payments made by the National Service Trust.
- The Trust DOES NOT deduct taxes from your education award or interest payments. After the calendar year in which the payments are made, you will receive a Form 1099 from the Trust that shows the total amount of your education award and any interest paid on your behalf.
- It might be in your benefit to request disbursement over at least 2 calendar years.



FINANCIAL AID WEBSITES

The Smart Student Guide to Financial Aid:

www.finaid.org

National Consumer Law Center:

www.studentloanborrowerassistance.org

Student Aid on the Web:

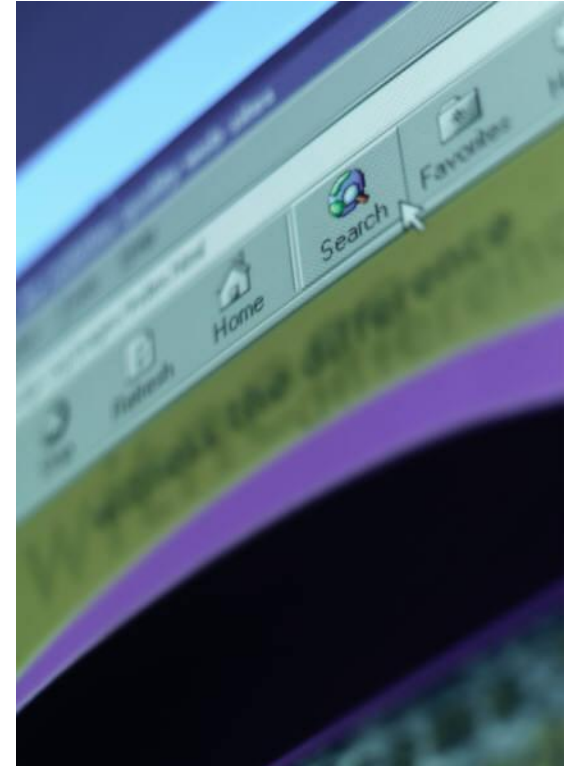
www.studentaid.ed.gov

The FAFSA:

www.fafsa.ed.gov

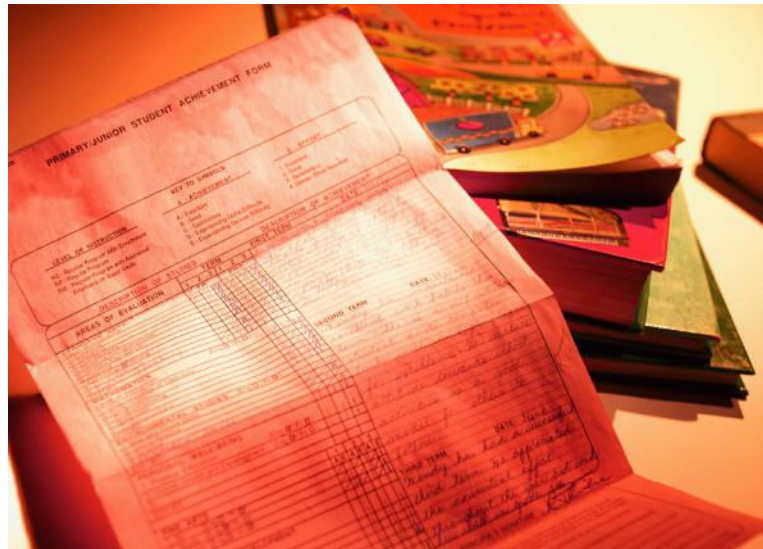
American Bar Association

www.safeborrowing.com



REPORTING AMERICORPS INCOME ON THE FAFSA

- Unlike any other job besides work study, AmeriCorps benefits do not adversely impact a student's expected family contribution.



HELPFUL WEBSITES

Corporation for National and Community Service

http://www.americorps.gov/for_individuals/benefits/index.asp

Online Ed Award Tutorial:

<http://encorps.nationalserviceresources.org/edaward/index.shtml>



TROUBLESHOOTING YOUR ED AWARD

The National Service Trust has a toll free number available for members to call and receive assistance. This number is staffed by live operators from 8:00-6:00 EST.

1-888-507-5962

You can also email
edawardvoucher@cns.gov

